

City of Detroit

CITY COUNCIL

DAVID D. WHITAKER

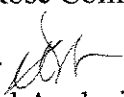
Director
(313) 224-4946

DIVISION OF RESEARCH & ANALYSIS
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 216
Detroit, Michigan 48226
(313) 224-4946
FAX: (313) 224-0368

PEGGY ROBINSON

Deputy Director
(313) 224-4946

TO: Planning and Economic Development Committee
The Honorable Barbara-Rose Collins, Chair

FROM: David Whitaker, Director 
City Council Research and Analysis Division Staff

DATE: October 8, 2007

RE: **MARATHON PETROLEUM COMPANY'S PROPOSED CITY OF DETROIT DEVELOPMENT AGREEMENT UNDER PUBLIC ACT 328 OF 1998, AS AMENDED, AND THE AMENDMENT TO THE CITY OF DETROIT DEVELOPMENT AGREEMENT UNDER PUBLIC ACT 328 OF 1998, AS AMENDED.**

I. ANALYSIS OF THE AGREEMENT AND AMENDMENT

Pursuant to the request by the Planning and Economic Development Committee, the City Council Research and Analysis Division (RAD) has reviewed two separate documents from the Marathon Petroleum Company: 1. *City of Detroit Development Agreement under Public Act 328 of 1998, as Amended* (Agreement) and 2. *Amendment to City of Detroit Development Agreement under Public Act 328 of 1998, as Amended*.¹ (Amendment. See Attached) Marathon will be developing about 22 acres of land by investing approximately \$1.5 Billion in installing and upgrading industrial refinery processing unit, machinery and equipment, referred to as the "Detroit Heavy Oil Upgrade Project or "D-HOUP." (Page 1 of Agreement) The proposed project will result in the creation of 135 new permanent jobs and approximately 800 temporary construction jobs, peaking at approximately 1200. It is located in a currently heavy industrial southwest area of Detroit. (Page 1 of Agreement).

The Agreement is in response to the requirement for Marathon's personal property tax exemption for 20 years, to be approved by the Detroit City Council.² This is separate from Marathon's request to seek approval of their Brownfield Redevelopment Plan, which would entitle them to tax credits if also approved by the City Council. Based on earlier discussions

¹ The "Amendment to the City of Detroit Development Agreement under Public Act 328 of 1998, as Amended" is partially executed and dated October 3, 2007. It was received by RAD by email on October 5, 2007. We have undertaken to summarize that document here as well.

² P.A. 328 of 1998 provides for the governing body of an eligible local assessing district to adopt a resolution, which provides for the exemption of all new personal property of an eligible business located in an "eligible district" for a term to be established by the local governmental unit. If the City Council approves the Brownfield Redevelopment Plan, under the Brownfield Redevelopment Financing Act, 1996 PA 381, as amended, that would meet the requirement as an "eligible district."

before the Detroit City Council, Marathon revised their earlier proposal by adding more provisions related to providing training opportunities, and the hiring and retention of Detroit residents with Marathon. Some of the provisions also include:

1. Compliance with the Living Wage Ordinance, Prevailing Wage requirements. (Sections 3 and 4, page 4 of Agreement)
2. Use of commercially reasonable efforts to comply with the Mayor's Executive Order No. 2007-1 through job fairs. (Section 5, page 4 of Agreement)
3. The Amendment document adds that Marathon will be in consultation with other industrial businesses, trade unions, or other industrial organizations or associations, doing business or located in the City, in addition to the original agreement to work with the Detroit Workforce Development Department to develop a mutually agreeable "Training Program," which it has agreed to extend to ten years, up from five years.
4. The Amendment added that the Company agrees to fund scholarships for up to ten City residents annually for ten years.
5. Also, the Amendment indicated the intent of the Company to employ those persons who completed the Training Program as well as work with the Detroit Workforce Development Department and other cited businesses, organizations and associations to employ others who complete the Training Program. (In addition to the persons on scholarships.)

If the Company fails to comply with Section 10(a), *Nondiscrimination*, of the Agreement, or other rules, regulation(s) or an order issued under the City of Detroit Human Rights Department, the City may recover \$10 per day, as liquidated damages for each day the Company fails to comply with Section 10(a) as determined by the City's Human Rights Department.

Marathon also made a commitment to stay in compliance with environmental laws, which of course, is its legal obligation anyway. The Company is currently in the process of obtaining all applicable local, state and federal environmental permits necessary to proceed with the D-HOUP. RAD has been unable to obtain a copy of these permit applications.

In addition, Marathon voluntarily proposed to take other environmental steps for health and safety such as:

1. Install four air-monitoring stations to self-monitor air quality near the facilities. (Section 6(a), page 5 of Agreement)
2. Provide emissions data to designated agencies. (Section 6(b), page 5 of Agreement)
3. Work with the City and Wayne County in a tele-communications notification system for the community.³ (Section 6(d), page 5 of Agreement)
4. Work with the City regarding Homeland Security. (Section 6(e), page 5 of Agreement)
5. Meet with the Detroit Refinery Community Advisory Board. (Section 6(f), page 5 of Agreement)

³ RAD requested on several occasions a copy of Marathon's emergency response plan and homeland security, which we have not received to date.

6. Pursue "real time" off-sets of particulate matter in the area that includes zip code 48217.⁴ (Section 6(g), page 5 of Agreement)

At Section 11, pages 7-8 of the Agreement, in the event Marathon defaults under Section 11(a) or Section 11(b) of the Agreement, the job creation and retention requirements, Marathon will pay the City "an amount equal to the difference between the amount of the *ad valorem* tax otherwise due on the Facility as exempted, for the calendar year preceding the Employment Status Report, multiplied by a fraction, the numerator of which is the shortfall in the number of new and retained full-time employees indicated in the Employment Status Report, and the denominator of the total number of new and retained regular full-time employees set forth in Sections 2(a)(ii) and 2(b)..." or under another provision, the City may request "that the Michigan State Tax Commission reduce the remaining Exemption Term or revoke the P.A. exemption for the Company."⁵ (Section 11(a) of the Agreement) In other words, Marathon agrees to pay a penalty in the form of a rebate of personal property taxes in the event it fails to meet the job requirements.

II. PUBLIC POLICY CONCERNS

The public policy considerations are addressed in the Company's extra effort to help Detroit residents obtain training and jobs with Marathon. There is also a substantial economic benefit to the City as reported by the City Council's Fiscal Analysis Division.

However, Marathon verbally admitted that as a result of the planned expanded capacity of the oil refinery, additional tons of particulate matter per year (which includes toxic substances) will be emitted from the facility.⁶ RAD is unaware of any current violation of governmental air standards, although it is unknown who will be monitoring the air after their expanded capacity.

Also, during a discussion before the City Council, the Michigan Sierra Club called to the City's attention that there will be additional wastewater that must be treated, possibly, in some high precipitation scenarios, resulting in possible additional pollution of our waterways, like the Detroit River. Some of the citizens who live in the area of the oil refinery have expressed concern over the effect of the added pollution on the health of the community (claims of asthma and cancer were voiced) and emergency evacuation plans.

Because RAD is not an expert in environmental quality, emergency response plans, nor homeland security, and if the City Council wants more information in those areas, RAD would recommend that agencies who have experts in these fields be consulted as to the health and safety measures appropriate for this Project. Such experts could include, but not be limited to the Detroit Environmental Affairs Department, Michigan Department of Environmental Quality and the City of Detroit Office of Homeland Security and Emergency Management.

Attachment

⁴ As outlined in a discussion before the City Council, these so-called "real-time" measures would include a street sweeping program designed to reduce pollution in the form of particulate matters from reentering the air and from street surfaces.

⁵ Additional details are found Section 11 of the Agreement.

⁶ Marathon has verbally discussed ways to partially off-set this additional pollution, however, they have not been finalized nor are they in the Agreement and/or Amendment.

**AMENDMENT
TO
CITY OF DETROIT DEVELOPMENT AGREEMENT
UNDER PUBLIC ACT 328 OF 1998, AS AMENDED**

Pursuant to Section 19 of the City of Detroit Development Agreement under Public Act 328 of 1998, as amended, (hereinafter referred to as the "Agreement") entered into by and between Marathon Petroleum Company LLC, a Delaware limited liability company (hereinafter referred to as the "Company") and the City of Detroit, Wayne County, Michigan, a Michigan public body corporate, acting by and through its Planning and Development Department (hereinafter referred to as the "City"), dated October 3, 2007, enter into this amendment made as of the _____ day of _____, 2007 (hereinafter referred to as the "Amendment") of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants set forth herein, the sufficiency and receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby, agree as follows:

Section 5(b) of the Agreement is hereby amended to read as follows:

Work with the Detroit Workforce Development Department, in consultation with other industrial businesses, trade unions, or other industrial organizations or associations, doing business or located in the City, to develop technical training curriculum ("Training Program") at an educational institution, vocational school, or technical training facility located within the City, mutually agreeable to both the City and the Company.

Section 5(c) of the Agreement is hereby amended to read as follows:

Upon development of the Training Program, the Company will fund scholarships for up to ten (10) City residents to participate in the Training Program annually, for a period of not less than ten (10) years beginning January 1, 2008, or as soon as practical thereafter.

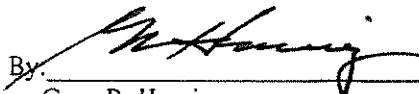
It is the intent of the Company to provide employment opportunities to those individuals who complete the Training Program identified above, and who otherwise meet all applicable conditions of employment as set forth by the Company, for open positions of employment. It is also the intent of the Company to work with the Detroit Workforce Development Department, other industrial businesses, trade unions, or other industrial organizations or associations, doing business or located in the City, to identify employment opportunities for those individuals who complete the aforementioned Training Program.

IN WITNESS WHEREOF, the Company and the City each have caused this Amendment to be executed as of the date first written above.

THE CITY OF DETROIT,
a Michigan public body corporate

MARATHON PETROLEUM Company LLC,
a Delaware limited liability company

By: _____
Douglass J. Diggs, Director
Planning & Development Department

By:  _____
Gary R. Heminger
President
